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September 7, 2001



SALT LAKE CITY, UTAH
PHOENIX, ARIZONA
TUCSON, ARIZONA
IRVINE, CALIFORNIA
DENVER, COLORADO

Secretary
Surface Transportation Board
Washington, DC 20423

RECORDATION NO. 21431-A FILED

SEP 14 '01 3-49 PM
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SURFACE TRANSPORTATION BOARD

Dear Secretary:

I have enclosed an original and one counterpart copy of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

The document is an amendment to a mortgage/security agreement, a secondary document, and is dated September 1, 2001. The primary document to which this is connected is recorded under Recordation No. 21431.

The names and addresses of the parties to the document are as follows:

Mortgagor/Debtor:	Oregon Eastern Railroad Company, Inc. 3811 Airport Road, Building N8 Ogden, Utah 84405
Mortgagee/Secured Party:	Bank One, Utah, National Association Commercial Loan Servicing 80 West Broadway, Suite 200 Salt Lake City, Utah 84101

A description of the equipment covered by the document is two (2) locomotives as follows:

<u>LOCOMOTIVE ENGINE</u>	<u>PLATE NO.</u>
OERR 1608	77-H3-7013
OERR 2072	76-74

A fee of \$28.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to

Brian D. Cunningham, Esq.
Snell & Wilmer, L.L.P.
15 West South Temple, Suite 1200
Salt Lake City, Utah 84101

A short summary of the document to appear in the index follows:

94003.0055/CUNNINGB/SLC/181889.1

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Secretary
September 7, 2001
Page 2

First Modification Agreement to Continuing Security Agreement (Railroad Locomotives and Rolling Stock), dated September 1, 2001, which amends that certain Continuing Security Agreement dated May 8, 1998, and recorded on May 27, 1998 as Recordation No. 21431, by and between Oregon Eastern Railroad Company, Inc., as debtor, and Bank One, Utah, National Association, as secured party, pertaining to the following two (2) locomotives:

<u>LOCOMOTIVE ENGINE</u>	<u>PLATE NO.</u>
OERR 1608	77-H3-7013
OERR 2072	76-74

If you have any questions regarding the foregoing, please contact me at the above number. Thank you in advance for your assistance.

Very truly yours,

Snell & Wilmer


Brian Cunningham

BDC/lln

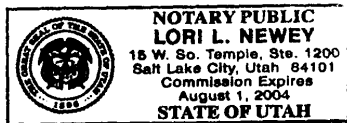
cc: Ms. Lynn Drummond, Bank One, Utah, National Association
Douglas Durbano, Esq.

State of Utah)
 .ss
County of Salt Lake)

On this 7th day of September, 2001, I certify that the attached document is a true, exact, complete and unaltered photocopy made by me of the First Modification Agreement to Continuing Security Agreement (Railroad Locomotives and Rolling Stock).


NOTARY PUBLIC

[SEAL]



**FIRST MODIFICATION AGREEMENT
TO CONTINUING SECURITY AGREEMENT**
(Railroad Locomotives and Rolling Stock)

SEP 14 '01

3-4 9 PM

SURFACE TRANSPORTATION BOARD

This **FIRST MODIFICATION AGREEMENT TO CONTINUING SECURITY AGREEMENT (Railroad Locomotives and Rolling Stock)** ("Agreement") is made as of September 14, 2001, by and between **OREGON EASTERN RAILROAD COMPANY, INC.**, a Utah corporation, ("Obligor"), having its principal office at 3811 Airport Road, Building N8, Ogden, Utah 84405, and **BANK ONE, UTAH, NATIONAL ASSOCIATION**, a national banking association ("Secured Party"), with an office at 80 West Broadway, Suite 200, Salt Lake City, Utah 84101.

RECITALS:

A. Secured Party has extended to certain credit facilities to The Western Group, L.C., a Utah limited liability company ("**Borrower**") (collectively, the "**Loans**") in the principal amount of \$750,000.00 (facility No. 1 – General Line of Credit)(subsequently increased to \$1,000,000.00 pursuant to that certain Modification Agreement, dated May 6, 2001), \$500,000.00 (Facility No. 2 – Line of Credit; Large Equipment Purchases), \$200,000.00 (Facility No. 3 – Line of Credit; Small Equipment Purchases), \$4,500,000.00 (Facility No. 4 – Term Loan; Cimarron Valley Railroad), \$890,000.00 (Facility No. 5 – Term Loan; Verde Canyon Railroad), \$640,000.00 (Facility No. 6 – Term Loan; Large Equipment), \$307,000.00 (Facility No. 7 – Term Loan; Small Equipment), \$400,000.00 (Facility No. 8) each pursuant to the Loan Agreement dated May 8, 1998, as amended from time to time ("**Loan Agreement**"); evidenced by each of that certain Promissory Note in the amount of \$500,000.00, dated May 8, 1998; Promissory Note in the amount of \$200,000.00, dated May 8, 1998; Promissory Note in the amount of \$4,500,000.00, dated May 8, 1998; Promissory Note in the amount of \$890,000.00, dated May 8, 1998; Promissory Note in the amount of \$640,000.00, dated May 8, 1998; Promissory Note in the amount of \$307,000.00, dated May 8, 1998; and Promissory Note, dated January 4, 1999, in the amount of \$400,000.000 (collectively, the "**Notes**").

B. Obligor guaranteed the repayment and other obligations of Borrower under the Notes, pursuant to that certain Guaranty of Payment, dated May 8, 1998 ("**Guaranty**"), and granted Secured Party a security interest in certain railroad locomotives and related assets as collateral for the Guaranty and the Loans, pursuant to that certain Continuing Security Agreement (Railroad Locomotives and Rolling Stock), dated May 8, 1998 ("**Security Agreement**"), as more particularly described on **Exhibit A** attached hereto.

C. Pursuant to that certain Modification Agreement of even date herewith ("**Modification Agreement**"), by and between Borrower and Secured Party, Secured Party has agreed, among other things, to extend two additional credit facilities to Borrower, to be evidenced by each of (i) that certain Promissory Note (Facility No. 9), dated of even date herewith, in the maximum principal amount of \$1,600,000.00 and (ii) that certain Promissory Note (Facility No. 10), dated of even date herewith, in the maximum principal amount of \$701,000.00 (collectively, the "**New Notes**"). Obligor has executed that certain Modification and Consent Agreement of Guarantor, of even date herewith, consenting to the two new loan facilities and the extension of the Guaranty to apply to the New Notes and the obligations of Borrower thereunder ("**Consent**").

D. In conjunction with the execution of the New Notes and the Consent, Obligor has agreed to amend the Security Agreement to include the New Notes as additional secured obligations under the Security Agreement.

E. Secured Party and Obligor now desire to enter into this Agreement in accordance with the terms of the Modification Agreement and the Consent to effectuate the foregoing.

NOW THEREFORE, in consideration of the covenants contained herein, and the covenants and agreements contained in the Modification Agreement, and other good and valuable consideration, the parties hereto amend and modify the Security Documents as follows:

1. Each of the foregoing Recitals is hereby incorporated herein and made a part hereof. Debtor acknowledges the accuracy of such Recitals.

2. The references in the definitions of "Guaranteed Obligations" and "Note" to Section 1 is hereby replaced with the proper reference to Exhibit A.

3. Exhibit A of the Security Agreement is hereby modified and amended as follows:

(a) Item number 2, that certain Promissory Note (Facility No. 1), dated May 8, 1998, has been increased to the maximum principal amount of \$1,000,000.00, pursuant to that certain Modification Agreement, dated May 6, 2001.

(b) Items number 9, 10 and 11 are added to Exhibit A as follows:

9. That certain Promissory Note (Facility No. 8), dated January 4, 1999, in the maximum principal amount of \$400,000.00, made by The Western Group, L.C., as maker in favor of Bank One, Utah, National Association, as holder.

10. That certain Promissory Note (Facility No. 9), dated September 1, 2001, in the maximum principal amount of \$1,600,000.00, made by The Western Group, L.C., as maker, in favor of Bank One, Utah, National Association, as holder.

11. That certain Promissory Note (Facility No. 10), dated September 1, 2001, in the maximum principal amount of \$701,000.00, made by The Western Group, L.C., as maker, in favor of Bank One, Utah, National Association, as holder.

4. All provisions of the Security Agreement not inconsistent with the provisions hereof shall be and remain the same as set forth in therein.

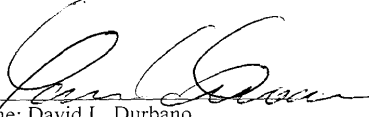
5. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, without giving effect to conflicts of law principles.

6. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

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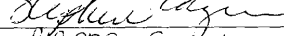
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on 9/1, 2001 to be effective as of the date first written above.

OREGON EASTERN RAILROAD COMPANY, INC.
a Utah corporation

By: 
Name: David L. Durbano
Title: President

"Obligor"

BANK ONE, UTAH, NATIONAL ASSOCIATION
a national banking association

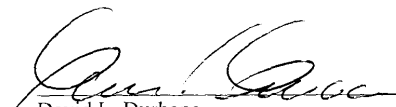
By: 
Name: Stephen Carter
Title: Vice President

"Secured Party"

CERTIFICATION

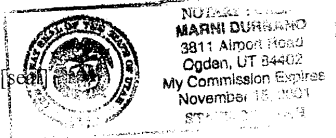
I, **DAVID L. DURBANO**, certify that I am President of **OREGON EASTERN RAILROAD, INC.**, that the foregoing instrument was signed on behalf of the corporation by authority of its Board of Directors, and that I acknowledge that the execution of the foregoing instrument was the free act and deed of the corporation. I further declare, certify, verify and state under penalty of perjury that the foregoing is true and correct.

Date: 9-1, 2001


David L. Durbano

STATE OF UTAH)
COUNTY OF Weller)
SALT LAKE)

The foregoing instrument was acknowledged before me this 1 day of Sept, 2001, by David L. Durbano, the President of **OREGON EASTERN RAILROAD, INC.**, a Utah corporation, on behalf the corporation.

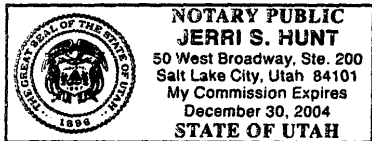


Marni Durbano
NOTARY PUBLIC

STATE OF UTAH)
COUNTY OF SALT LAKE)

The foregoing instrument was acknowledged before me this 7th day of September, 2001, by Stephen C. Hunt, Vice President of **BANK ONE, UTAH, NATIONAL ASSOCIATION**, a national banking association, on behalf the association.

[seal]



Jerri S. Hunt

EXHIBIT A

Original Security Agreement:

Continuing Security Agreement (Railroad Locomotives and Rolling Stock) dated May 8, 1998, by and between Oregon Eastern Railroad Company, Inc., a Utah corporation and Bank One, Utah, National Association, a national banking association, as recorded in the records of the Surface Transportation Board on May 27, 1998, as Recordation No. 21431

Collateral Described in Security Agreement:

<u>LOCOMOTIVE ENGINE</u>	<u>PLATE NO.</u>
OERR 1608	77-H3-7013
OERR 2072	76-74